

To: Department of Local Government Finance

Date: 7/31/2014

Narrative for 2014 Pay 2015 Annual Adjustments and Ratio Study

For the 2014 payable 2015 Annual Adjustments, the Vanderburgh County Assessor utilized sales occurring between 01/01/2013 and 03/01/2014. Less than five sales were available within this date range for the Industrial Vacant and Commercial Vacant studies. For this reason, sales used for this analysis occurred between 01/01/2012 and 03/01/2014. No time adjustment was necessary for these sales. There are other areas in which insufficient sales for ratio study analysis exist. For example, Union Township's market is influenced by several factors, including a close proximity to the Ohio River, which results in frequent widespread flooding. Union Township is completely located within a flood zone. Due to this fact, there are few real estate transactions that occur in Union Township on a yearly basis. Union Township residential improved sales were combined with another township for the analysis. Township groupings were necessary in the following studies: Industrial Vacant, Industrial Improved, Commercial Vacant, Commercial Improved, Residential Vacant and Residential Improved.

Analysis of commercial and industrial properties was limited in most townships due to a lack of valid sales. Overall, the analysis of commercial and industrial properties was performed on the county as a whole. Where applicable, the existing sales were combined with sales from the same property class from other townships to assure that assessment levels were consistent throughout the county. The commercial and industrial neighborhoods for Vanderburgh County are established and maintained on a county wide scale and based upon land use classification.

Sales from all townships were utilized to establish and adjust these commercial and industrial neighborhood rates.

Vacant land sales were used to determine any adjustment to land base rates to conform to current market trends. Townships with insufficient vacant land sales were compared to comparable land values from townships with sufficient vacant land sales to verify land rates. As well, we used improved property that was vacant at the time of the sale using the abstraction method.

Improved sales were used to determine what, if any, market adjustment factors were necessary to establish uniform and equitable assessments. The preliminary ratio studies used the following calculation for ratio of assessment:

$$\text{Ratio} = (\text{Imp AV}) / (\text{Sales Price} - \text{Land AV})$$

This calculation removes the land value from the calculation of any market adjustment factor as we adjust land values through the vacant land studies. The final ratio studies are calculated using the following formula:

$$\text{Ratio} = (\text{Total AV}) / (\text{Total Sales Price})$$

The ratio studies were performed within the counties CAMA system, Proval. The ratio studies were performed first at the neighborhood level to determine which areas had inconsistent values and to determine neighborhood specific market adjustment factors.

All valid sales were field checked to verify parcel data characteristics and identify disparities between assessed value and market sales price. Any necessary corrections (such as additions, remodels, square footage) were performed to bring the parcel's value in line with the

rest of the neighborhood. Any grade or condition changes were compared to the grades and conditions for that neighborhood as a whole and adjusted on a neighborhood wide scale.

Annual adjustments for commercial and industrial properties utilized the income approach to value where applicable. Gross rent multipliers were calculated from rental information collected from apartments and multifamily rental units where sufficient data was available. We have acquired IncomeWorks software which provides local market income data to aid in our income analysis. We have utilized MLS data and appraisals from prior appeals to verify and evaluate land rates, market adjustment factors, building permits, and values obtained from the ratio studies. It is the goal of the Vanderburgh County Assessor to fairly and accurately reflect market values and conditions in the county's tax base.

In addition to the required formatted ratio study files, we have also provided our sales reconciliation that identifies sales in which validity changes have occurred since the sales data submission on April 1, 2014.

William J. Fluty, Jr.
Vanderburgh County Assessor
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